



Subsidised Affordable Housing

Policy Background

- Housing quotas imposed on new development are a tax on new housing the costs incurred by developments in subsidising a particular form of housing tenure must invariably be borne by the new home-buying public and not the general community. This is inequitable and unfair.
- Commonwealth and State Government funding of public and affordable housing is not keeping up with community needs. Governments are increasingly shifting the burden of funding new affordable housing to the private sector rather than confronting the challenges of supply as a broader community issue requiring funding from general rates and taxes.
- State and local governments are increasingly looking towards affordable housing quotas to solve their own targets for publicly provided and supported housing, as well as to increase the supply of affordable housing.
- A holistic and sophisticated approach to the issue of providing increased levels of affordable housing and solving the housing affordability crisis is essential.

Policy Issues

- Affordable housing levies usually require the provision or replacement of housing in exchange for the granting of rezoning or development consent.
- The requirement is usually met by either payment of a monetary contribution to the consent authority, providing a defined 'quota' of affordable housing within a project or negotiating an additional floor space or other development entitlement for the provision of 'affordable' housing as part of a total project.
- Housing is largely a private sector activity and, as such, is driven by market forces. Many developments and builders already contribute towards providing affordable housing, based on their price positioning at the lower end of the market. If social housing is required then it is the responsibility of governments to provide such infrastructure from general revenue.
- Inclusionary zoning policies and affordable housing quotas add costs to an already over-taxed and over-regulated housing industry. The housing quota concept is flawed and inequitable as any costs incurred by developments in subsidising a particular form of housing must invariably be borne by the new home-buying public, who are least likely to be able to afford this impost. This in effect, further exacerbates housing affordability problems.

HIA's Policy Position on Subsidised Housing

- HIA does not support mandatory inclusionary housing policies or affordable housing quotas imposed by Governments as they do not address the underlying root causes of the housing affordability problem. They provide only minuscule and random relief to what is a much larger community issue that requires a whole of community solution.
- House price increases have occurred as a result of multiple factors including increasing regulatory requirements, constrained land supply, increasing taxes and charges, cumbersome zoning and development approval processes. These items should all take priority for governments to address.

- Provision of social housing is the responsibility of government and should be adequately funded using general rates and revenue, not by placing the burden on new home owners.
- HIA remains committed to finding feasible and effective solutions to support the delivery of affordable housing stock. Whilst the industry is often unfairly targeted, it is actively contributing to the overall affordable housing solution.
- Governments should look to pursue appropriate options for funding and delivering affordable housing solutions.
- HIA supports the following options for developers and builders to enter into on a voluntary basis to increase the delivery of affordable housing units:

1. Increasing land supply and development rights for affordable housing

All governments should proactively enable land supply for affordable housing by auditing their own surplus land supply and selling it for the purpose of industry delivering the desired quota of affordable housing. Authorities should also issue suitable development rights over that land to a social housing authority, private community housing provider or industry member for the purposes of building and supplying affordable housing.

2. Voluntary supply of affordable housing in a development in exchange for agreed or negotiated development bonuses which are relevant to the particular site and location

Any development bonuses granted to assist with the supply of affordable housing must be nominated by, and agreed to by, the developer. It is industry's experience that many current development bonuses offered do not allow for a product that can be reasonably offered to a target market in a given area. Incentives for developers could include bonuses on heights, plot ratio and density requirements, car parking, a faster planning process or other planning scheme concessions, all of which should be guaranteed through relevant project specific planning provisions after a developer agrees to undertake a project, to ensure the project is financially viable and can proceed to be built.

3. Innovative funding mechanisms to ensure greater government buy in on private development

Government agencies should subsidise the housing product for low income earners. The homebuyer would finance part of the mortgage (perhaps 70 per cent) with the 'equity authority' being state or local government financing the remainder. Deferral on the payment on the full market value at the time of purchase assists with increasing the supply of affordable housing and the housing industry is the deliverer of the product on the ground.

4. Increasing the opportunity for 'joint venture' partnerships

Local or state government can partner with a willing private developer to build and manage a project where there is a component of affordable housing that must be made available with strict arrangements around the management of homes into the future to avoid profiteering. Industry is the deliverer of product on the ground.

5. Provision of Tax and Levy Concessions for Developers

Tax concessions should be offered to developers willing to agree and provide an affordable housing component to their development. Relevant tax concessions could be provided in the form of stamp duty or other concessions such as sale price on the land or an exemption from state based infrastructure contributions and other relevant property taxes.